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Analysis in Brief

New Motor Vehicle Sales: 2006 in Review

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Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.

New Motor Vehicle Sales: 2006 in Review

Ashley Ker, Distributive Trades Division

Summary

Sales of new motor vehicle recorded their second best year ever in 2006 for number of units and their best year in terms of sales. Consumers drove off the lot with 1,666,327 new cars and trucks bought in Canada for a total value of $54.6 billion.

Sales of trucks, an all-encompassing category including minivans, sport-utility vehicles, light and heavy trucks, vans and buses, surged to a new record high. On the other hand, sales of new passenger cars also increased for the second consecutive year, but still fell far short of the record level set in 2002.

Data from Statistics Canada's New Motor Vehicle Sales Survey show that North American-built cars continued to face stiff competition from their overseas counterparts. In 2006, passenger cars built overseas accounted for 33.6% of Canada's new car market. This proportion has been increasing almost steadily since 1996 when it was only 13.3%. This gain in overseas-built vehicles over the years translated into an ongoing loss of market share for North American-built passenger cars.

In the case of passenger cars built in North America, the traditional "Big Three" automakers still control a slight majority of the market, but they are losing market share to automaker "transplants". Transplants are plants owned by overseas companies that build or assemble vehicles in North America.

Between 1996 and 2006, the Big Three's share of the North American-built passenger car market fell from 71.5% to 52.7%. Conversely, the share for transplants rose from 28.5% to 47.3%.

The Canadian truck market is still largely dominated by the "Big Three". However, transplants have gained a bigger share of the pie in this market in recent years. In 2006, transplants accounted for 11.7% of the truck market, a five-fold increase from the 2.4% they held in 1996.

In total, the value of car and truck sales in Canada hit a record high of nearly $54.6 billion in 2006, up 3.9% from the previous year. The average sale price of a new motor vehicle rose 1.7% to about $32,700. On average, consumers in the western provinces bought more expensive vehicles than their eastern counterparts.

Overall, new vehicle sales rose in seven provinces last year. Alberta led the way with record high sales of 248,731 vehicles, up 11.9% from 2005, the province's third consecutive annual increase.

For every $100 consumers spent in a retail outlet in 2006, they spent $19.12 at their new vehicle dealers. This was much more than they spent in supermarkets over the year.

This article examines the economic picture for the Canadian automobile retailing industry in 2006.

Definitions and data source

Passenger cars include those used for personal and commercial purposes, such as taxis or rental cars. **Trucks** include minivans, sport-utility vehicles, light and heavy trucks, vans and buses.

North American-built new motor vehicles include vehicles manufactured or assembled in Canada, the United States or Mexico. All other new motor vehicles are considered to have been manufactured overseas.

Big Three vehicles are those build or assembled by Ford, General Motors or DaimlerChrysler.

Automaker transplants are plants owned by foreign automakers that build or assemble vehicles in North America.

For reasons of confidentiality, data for Yukon, the Northwest Territories and Nunavut are included with those for British Columbia.

Most of the results shown in this paper come from the New Motor Vehicle Sales Survey, compiled on the basis of figures obtained from motor vehicle manufacturers and importers. These results may vary from those obtained directly from auto dealers, due to possible differences in record keeping.

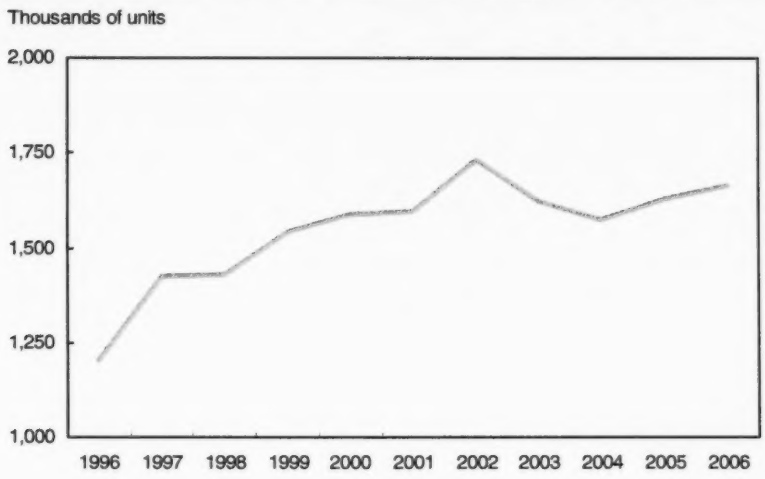
Second best year for new motor vehicle sales

In 2006, Canadian consumers drove sales of new motor vehicles to the second highest annual sales level on record.

Bolstered by strong employment and booming economies in the west, among other factors, new motor vehicle sales increased 2.2% in 2006, to 1,666,327 vehicles. Although it was lower than the 3.5% gain the year before, this rate of growth still signalled healthy sales in 2006.

Sales had slipped in both 2003 and 2004, halting a series of seven consecutive annual gains that begun in 1996. However, the rebound in 2005 and 2006 was not enough for sales to reach the peak in 2002 when consumers purchased just over 1,733,000 units.

Chart 1 New motor vehicle sales reached highest level since 2002



Source: Statistics Canada, CANSIM table 079–0001.

Sales in the first half of 2006 were relatively stable with minor monthly declines or marginal monthly gains. The second half of the year proved to be another story with the introduction and subsequent removal of dealer incentive programs such as "employee pricing". After surging in July and August, new motor vehicle sales remained strong throughout the remainder of the year.

Sales of passenger cars and trucks rose at virtually the same pace in 2006.

Consumers bought a record high 803,166 trucks in 2006, up 2.3% from the previous year. This growth was slower than the 4.0% rate in 2005, which had followed two consecutive annual declines in 2004 and 2003.

Dealers sold 863,161 passenger cars in 2006, a 2.1% increase on the heels of a 3.1% gain the year before. Car sales had also declined in 2004 and 2003, following six consecutive annual increases from 1997 to 2002.

The rise in passenger car sales was the result of a substantial 7.2% increase in sales of overseas-built cars. Sales of North American-built cars slipped 0.3% in 2006, the third decline in four years.

Car market: Overseas-built passenger cars gaining ground

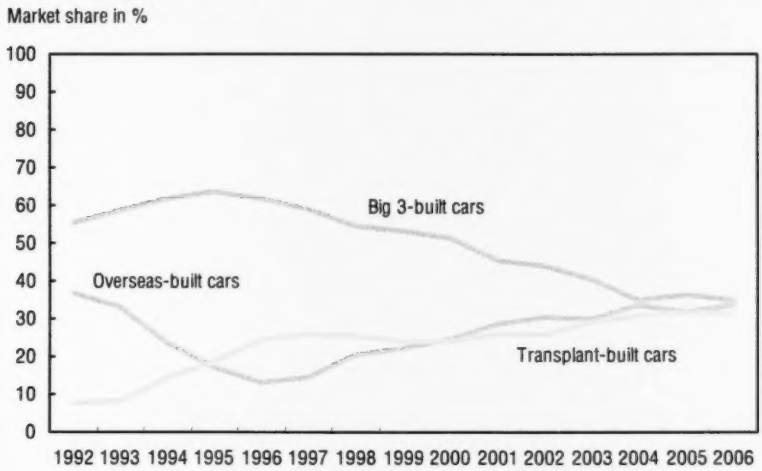
Passenger car sales accounted for just over half (51.8%) of the new vehicle sales in 2006, unchanged from the previous year. Fifteen years ago, they made up about two-thirds of the market.

Last year, car dealers sold 290,059 cars that were built overseas, accounting for about one-third (33.6%) of the Canadian new car market. This was up from the 32.0% market share held in 2005, and roughly on par with the proportion in 2004, which was the highest in over a decade.

Since 1996, overseas-built passenger cars have gained just over 20 percentage points in market share. This gain for overseas-built vehicles translates into a loss of market share for North American-built passenger cars.

Within the North American-built passenger car sector, it is the traditional "Big Three" automakers who have lost market share. Automaker transplants have made gains almost every year over the last 15 years. By building vehicles in North America, foreign automakers can reduce transportation costs and take advantage of the 1989 Canada-U.S. Free Trade Agreement and the 1994 North American Free Trade Agreement.

Chart 2 Market share of overseas-built cars on the rise since 1996



Source: Statistics Canada, special tabulation, Distributive Trades Division.

Of the 863,161 passenger cars sold in Canada in 2006, 573,102 were built in North America. Of these, the "Big Three" automakers accounted for 52.7%, down from 71.5% in 1996. Conversely, the share for transplants rose from 28.5% to 47.3% during this decade-long period. In other words, last year almost half of the North American-built cars sold in Canada were made by transplants.

Historically, between 1992 and 1996, the proportion of overseas-built passenger cars sold in Canada declined rapidly, due to gains made by the transplants. During this period, many foreign automakers expanded their North American operations, or built new plants in North America.

In other words, the type of vehicle purchased by consumers that was previously built overseas was now being manufactured in North America. This caused a shift in market share from overseas manufacturers to North American manufacturers.

Between 1992 and 1996, the market share for overseas-built car sales fell from 36.9% to 13.3%. At the same time, the share of transplant-built car sales tripled from 7.8% to 24.7%.

Table 1 Market share of new motor vehicles, Canada, 1992 to 2006

	Trucks market	Trucks, overseas-built	Passenger cars, overseas-built
	%		
1992	35.0	13.7	36.9
1993	38.0	11.4	33.2
1994	40.6	7.0	23.4
1994	42.5	5.4	17.4
1996	45.1	4.8	13.3
1997	48.1	8.4	14.8
1998	48.2	8.8	20.3
1999	47.7	8.6	22.5
2000	46.5	9.3	24.5
2001	45.6	11.2	28.6
2002	46.1	12.5	30.3
2003	46.8	14.0	30.1
2004	47.9	13.4	33.8
2005	48.2	14.3	32.0
2006	48.2	15.2	33.6

Source: Statistics Canada, special tabulation, Distributive Trades Division.

Truck market: Still largely 'Made in North America'

Truck sales represented just under half (48.2%) of the new motor vehicle market in Canada in 2006, unchanged from 2005. The market share for trucks had been increasing for four consecutive years, starting in 2001 when it had levelled out at 45.6%.

The market share for trucks has increased despite rising gas prices. Reasons for this include a higher demand for vehicles for commercial use, as well as good economic conditions, particularly in western Canada where truck sales have been strong

The Canadian truck market is still largely dominated by North American automakers. However, transplants have gained market share in recent years. In 2006, transplants had captured 11.7% of the truck market, almost five times the 2.4% market share they held in 1996.

Between 1992 and 1996, sales of overseas-built trucks declined dramatically as foreign automakers manufactured more and more vehicles in North America. During this period, their share of the Canadian market fell from 13.7% to only 4.8%.

However, from 1997 to 2006, sales of overseas-built trucks began a recovery that saw them regain their entire market share. By 2006, they had captured a record-high 15.2% of the market.

Average price per vehicle up for a fifth consecutive year

In total, the value of car and truck sales in Canada hit a record high of nearly $54.6 billion in 2006, up 3.9% from the previous year.

The average sale price of a new motor vehicle increased for the fifth consecutive year in 2006. Consumers on average paid just over $32,700 for a new vehicle, up 1.7% or about $500 from the year before. This increase is in line with gains during the previous five years of between 1.5% and 3.0%.

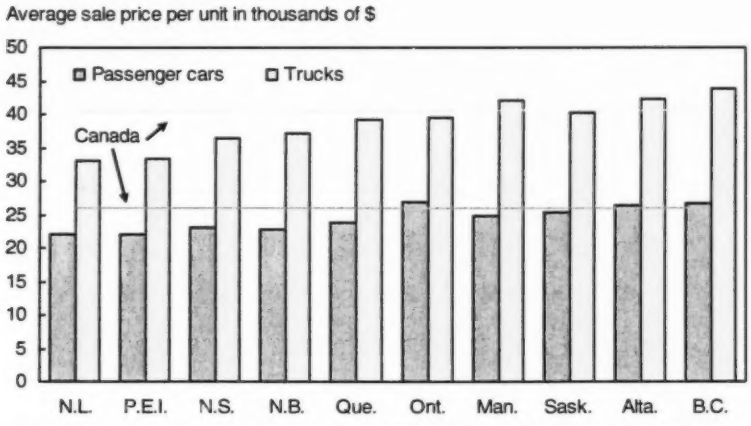
For passenger cars, the average sale price edged up 1.8% or about $445 to $25,550. Average sale prices exceeded this price in only three provinces: Ontario, Alberta and British Columbia.

Drivers in Ontario paid the highest average, just shy of $27,000, followed by those in British Columbia ($26,640) and Alberta ($26,370). Drivers in Prince Edward Island paid the lowest average price, just over $22,000, about $3,500 less than the national average.

For trucks, the average sale price rose 1.6% to about $40,500, the fifth consecutive increase. During this period, prices increased between 2% and 4% a year. Prices exceeded the national average in two Prairie provinces, namely Alberta and Manitoba, and in British Columbia.

Consumers in British Columbia paid the highest, on average, for a new truck in 2006, about $44,000, followed by those in Alberta, at just over $42,400. Drivers in Newfoundland and Labrador paid the lowest average, about $33,150.

Chart 3 Average prices for both cars and trucks higher in the West



Note: B.C. includes the Yukon, the Northwest Territories and Nunavut for confidentiality reasons.

Source: Statistics Canada, special tabulation, Distributive Trades Division.

The provinces: Motor vehicle sales soar in Alberta

New motor vehicle sales increased last year in seven provinces. The declines occurred in Newfoundland and Labrador, Quebec and Manitoba. By far the largest gain occurred in oil-rich Alberta, which recorded a double-digit increase for the second year in a row.

Overall, Alberta dealers sold a record 248,731 new vehicles last year, up 11.9%, a third consecutive annual increase. This followed a 13.4% increase in 2005. Alberta, which has just over 10% of Canada's population, according to the 2006 Census, accounted for 15% of all new vehicle sales last year. Alberta dealers set nine monthly record highs in 2006.

Consumers in British Columbia purchased 194,648 vehicles in 2006, the highest annual sales level since the peak in 2002 of 195,132. This was also the third consecutive annual increase for British Columbia.

New vehicle sales in Ontario reached 620,649 in 2006, the highest level since 2003. Total new car sales rose 2.9% last year, the result of increased sales of both North American-built passenger cars and overseas-built passenger cars. Truck sales in Ontario slipped 2.0%.

Alberta also led the pack in terms of increases in sales of trucks. Alberta drivers purchased 162,772 units, up 14.9%. This level accounted for one-fifth of total truck sales in the country.

Truck sales accounted for 65% of total vehicle sales in Alberta last year, and the province's drivers spent three times more on trucks than they did on passenger cars. According to Statistics Canada's Canadian Vehicle Survey, Alberta is second only to Ontario as the province with the highest number of trucks on the road that weigh more than 4.5 tons.

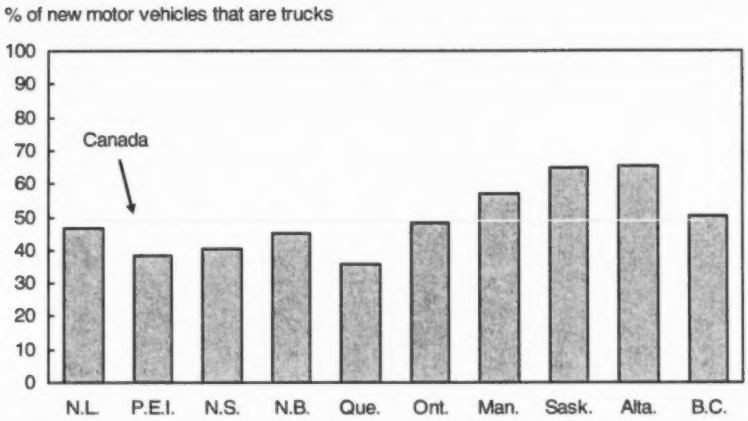
Only two other provinces posted annual gains in truck sales above the national average: British Columbia and Saskatchewan.

In the new car market, Alberta was again far ahead of the other provinces. Consumers purchased 85,959 new passenger cars last year, a 6.5 % increase. This followed a 10.8% gain the year before.

Five other provinces posted increases in sales of new passenger cars exceeding the national average of 2.1%: British Columbia, Ontario, New Brunswick, Nova Scotia and Prince Edward Island.

In Quebec, sales of new passenger cars represented nearly two-thirds (64%) of the province's total new vehicle market, the largest share in the country. In Ontario, cars accounted for just over half (52%).

Chart 4 Four provinces sold more trucks than cars



Note: B.C. includes the Yukon, the Northwest Territories and Nunavut for confidentiality reasons.

Source: Statistics Canada, special tabulation, Distributive Trades Division.

Vehicle sales down in only three provinces last year

The only three provinces to post a decline in new motor vehicle sales last year were Newfoundland and Labrador (-2.9%), Manitoba (-1.2%) and Quebec (-0.9%).

In the first half of 2006, sales of new motor vehicles in Newfoundland and Labrador were somewhat volatile. The market picked up in the second half of the year with sales increasing in four of the last six months. Annual sales in Newfoundland and Labrador have been unstable in recent years, increasing 8.7% in 2005 after falling 9.9% in 2004 and 1.4% in 2003.

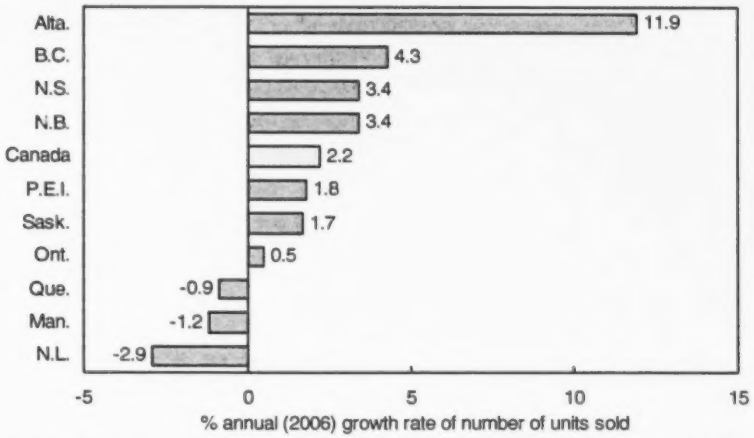
Sales of new motor vehicles in Manitoba for 2006 were similar to Newfoundland and Labrador in that the beginning of the year was somewhat weaker than the second half. Sales were on an upward trend from June, having increased in the last six of seven months of the year. Prior to 2006, new motor vehicle sales in Manitoba gained 2.6% in 2005, after a 1.6% decline in 2004 and a 6.6% drop in 2003.

New motor vehicle sales in Quebec started slowly in 2006 before picking up in the summer months. The second half of the year proved to be highly volatile, with some months posting large gains and other's posting steep declines. Sales of both passenger cars and trucks declined in 2006. The decline in passenger cars was entirely attributable to lower sales of North American-built cars, which fell 3.5%, while sales of overseas-built cars increased 2.2%.

Consumers in Quebec purchased 404,198 new vehicles in 2006, down 3,600 from 2005. This was Quebec's lowest annual sales level since 2001. After seven consecutive years of sales gains from 1996 to 2002, new motor vehicle sales declined 3.1% in 2003 and fell 3.6% in 2004 before edging up 0.7% in 2005.

In the car market, sales fell in four provinces last year: Newfoundland and Labrador, Quebec, Manitoba and Saskatchewan. Truck sales fell in six provinces: Newfoundland and Labrador, Prince Edward Island, Nova Scotia, Quebec, Ontario and Manitoba.

Chart 5 New motor vehicle sales down in only three provinces in 2006



Note: B.C. includes the Yukon, the Northwest Territories and Nunavut for confidentiality reasons.

Source: Statistics Canada, special tabulation, Distributive Trades Division.

Motor vehicle dealer industry

At the end of 2006, there were 3,817 dealers selling new motor vehicles in Canada, as well as 14,660 dealers of used and recreational motor vehicle and parts.

Nationally, there were just under 144,000 Canadians working in these dealerships. This included salesmen, mechanics, secretaries and all other workers, not just for vehicle sales but for all services or sales dealers have on offer.

In 2006, the average weekly earnings for an employee working for an automobile dealer (including new and used cars and trucks) amounted to $803.58.

Table 2 Number of motor vehicle dealers, employees and average earnings, 2004 to 2006

	New motor vehicle dealers	Used & recreational motor vehicle and parts dealers	Total employees	Average weekly earnings
	number of locations		thousands	$
2004	3,708	15,132	136.1	765.14
2005	3,728	14,292	138.9	753.01
2006	3,817	14,660	143.9	803.58

Source: Statistics Canada, special tabulation, Distributive Trade Division and Labour Statistics Division.

Consumers spend more at dealers than they do at supermarkets

Consumers spend more at dealerships each year than they do at supermarkets. For every $100 consumers spent last year in retail outlets, they shelled out $19.12 to motor vehicle dealers. In contrast, they spent $18.35 in supermarkets.

If consumer spending at new motor vehicle dealers is combined with spending at used and recreational motor vehicle and parts dealers and gasoline stations, it exceeds even the spending in supermarkets and general merchandise stores combined.

For every $100 consumers spent last year in retail outlets, they shelled out $34.39 on their vehicles and related products, including new vehicles, used and recreational motor vehicle and parts and gasoline. In contrast, they spent $28.06 in supermarkets and general merchandise stores combined.

During the last 10 years, these proportions have varied only slightly from year to year.

Table 3 Retail trade, by selected trade group, 1997 and 2006

Selected trade group	1997	2006
	million of $	
New motor vehicle dealers	52,879	74,821
Used and recreational motor vehicle and parts dealers	10,722	17,768
Gasoline stations	20,380	42,017
Supermarkets	45,293	63,106
General merchandise stores	29,694	46,729
All other	87,850	146,947
Total	246,818	391,389

Note: Components might not add up to the total due to rounding.
Source: Statistics Canada, CANSIM table 080-0015.

Table 4 New motor vehicles sales, by province, 2006

Province	Total new motor vehicles		Passenger cars		Trucks	
	units	yearly change (%)	units	yearly change (%)	units	yearly change (%)
Newfoundland and Labrador	24,188	-2.9	12,947	-4.4	11,241	-1.0
Prince Edward Island	4,933	1.8	3,034	4.3	1,899	-2.0
Nova Scotia	47,738	3.4	28,376	8.1	19,362	-2.7
New Brunswick	35,403	3.4	19,406	5.6	15,997	0.9
Quebec	404,198	-0.9	259,972	-1.2	144,226	-0.3
Ontario	620,649	0.5	322,572	2.9	298,077	-2.0
Manitoba	45,924	-1.2	19,736	-2.6	26,188	-0.2
Saskatchewan	39,915	1.7	13,962	-1.4	25,953	3.4
Alberta	248,731	11.9	85,959	6.5	162,772	14.9
British Columbia	194,648	4.3	97,197	5.2	97,451	3.5
Canada	1,666,327	2.2	863,161	2.1	803,166	2.3

Note: For confidentiality reasons, British Columbia includes the Yukon, Northwest Territories and Nunavut.
Source: Statistics Canada, CANSIM table 080-0015.